(d) the steps proposed to be taken for exemplary action to project public funds and public interest?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) Nominee directors on the Boards of assisted companies of financial institutions (FIs) are appointed by the FIs concerned. The Industrial Development Bank of India (IDBI) has reported that the nominee director is only a part-time director and is not involved in the day-to-day affairs of the company. He is liable for prosecution along with other directors for any default such as non-compliance of provisions of various statutes by the company, if the directors have not acted in good faith. The statutes of certain FIs provide an element of protection to the institutional nominee directors in as much as they shall not incur any obligation or liability by reason only of their being a director for anything done or omitted to be done in good faith. However, a nominee director can be prosecuted for any default, non-compliance and failure, if it can be proved that the concerned director has been guilty knowingly or willfully.

(b) and (d) FIs themselves review the performance of their nominee directors and also take appropriate action wherever necessary based on the reports of nominee directors about the institution to which they are nominated. The nominee directors are expected to act in the best interest of the company and also safeguard the interest of the FI concerned. IDBI has reported that the performance of nominee directors is reviewed by the FI concerned and the experience of the FIs with regard to nominee directors has generally been satisfactory.

(c) The Government monitors the position of overall sanctions and disbursements made by FIs. The Government also appoints its nominee directors on the Boards of FIs. Besides, the matters of general policy nature and of common interest to FIs are discussed with Chief Executives of FIs in meetings held from time to time.

Representation by Banking Department

1118. SHRI GURUDAS DAS GUPTA:
SHRI CHATURANAN MISHRA:

Will the Minister of FINANCE be pleased to state:

(a) whether the Banking Department have representation on the Boards of Industrial Finance Corporation of India, Industrial Development Bank of India and Unit Trust of India;

(b) if so, the details of such representation on the above Boards of financial institutions;

(c) whether Banking Department takes precautionary steps through its representatives to prevent fraud and corruption in private sector companies who have been financed by financial institutions; and

(d) if so, the details of safeguards?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) Government Directors from the Banking Division have been appointed on the boards of Industrial Development Bank of India (IDBI) and Industrial Finance Corporation of India Ltd. (IFCI).

(b) At present Special Secretary (Banking) is a Government Director on the board of IDBI and one of the Joint Secretary in the Banking Devision is on the board of IFCI Ltd.

(c) and (d) Financial institutions nominate their own representatives as nominee directors on the Board of Directors of such Private Sector Companies in which they have substantial financial stake. These nominee directors are expected to safeguard the interest of the financial institution and report back to them whenever any action is required or warranted. Banking Division has no nominee director on the board of such private sector companies.

Performance of nominee directors of financtal institutions

1119. SHRI CHATURANAN MISHRA:

SHRI GAYA SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether Government periodically review the performance of nominee Directors of financial institutions under Banking Department who serve on the Boards of Directors of large units;

(b) if so, what this review consists of;

(c) whether corrective steps are applied whenever the performance is below par; and

(d) whther there is any possibility of Government to carefully monitor the role of financial institutions and their nominees who serve on such Boards?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKARA MURTHY): (a) and (b) No, Sir. The nominee directors on the Boards of assisted companies of financial institutions (FIs) are appointed by the FI concerned which also reviews the performance of its nominee directors, mainly based on their reports on the proceedings of Board meetings.

(c) The nominee directors are expected to act in the best interest of the company and also safeguard the interest of the FIs. Industrial Development Bank of India (IDBI) has reported that the experience of the FIs with regard to nominee directors has generally been satisfactory. If a financial institution is not satisfied with the performance of a nominee director, it can withdraw his nomination from the Board of the company concerned.

(d) The Government monitors the position of overall sanctions and disbursements made by the FIs. The Government also appoints its nominee directors on the Boards of FIs. Besides, the matters of general policy nature and of common interest to FIs are discussed with Chief Executives of FIs in meetings held from time to time.

FIs have evolved guidelines in respect of nominee directors. These guidelines also take into account instructions issued on the subject by Government from time to time.

Public sector banks dealing with barings Bank of England

1120. SHRI RAM NATH KOVIND: Will the Minister of FINANCE be pleased to state:

(a) how many public sector banks have dealing with Barings Bank of England which has recently been declared insolvent;

(b) how much money of our public sector banks are involved in dealings with Barings Bank; and

(c) how much less is being expected to the Public Sector Banks due to insolvency of Barings Bank of England?